



State of California—Health and Human Services Agency
Department of Health Services



ARNOLD SCHWARZENEGGER
Governor

April 19, 2005

TO: PROSPECTIVE PROPOSERS

SUBJECT: REQUEST FOR PROPOSAL (RFP) 05-45204
CALIFORNIA TOBACCO CONTROL (TCS) ADVERTISING CAMPAIGN
ADDENDUM 2

On February 1, 2005 the California Department of Health Services (DHS), Tobacco Control Section released RFP 05-45204 entitled "California Tobacco Control Advertising Campaign." Upon further review, edits to this document have been made and are enclosed with this addendum. Changes to pages 16-17 are indicated by a vertical line in the left margin.

Please replace the following pages in the original RFP with the enclosed pages:

Pages 16-17
Attachment 11 (11.A and 11.B)

We apologize for any inconvenience that these changes may cause.

If you have any questions regarding this addendum, please contact Edana Fielden, Media Specialist, TCS, at (916) 449-5473.

Sincerely,

Robin Shimizu
Assistant Chief
Tobacco Control Section

Enclosure

The purpose of the visit will be:

- For the DHS Review Panel to tour the agency facility and meet personnel that may be assigned to the account.
- To allow an opportunity for agency staff and the DHS Review Panel to discuss the goals and objectives of the RFP.
- For the DHS Review Panel to observe a Capabilities Demonstration and a Case History Presentation by the agency team.

The presentation components are outlined below:

1. Capabilities Demonstration

This portion of the presentation will give the agency a chance to highlight a variety of its accomplishments. Through visual materials and oral descriptions, team members shall provide DHS with a sense of the proposer's style and an understanding of the agency's strategic and creative capabilities.

2. Creative Samples (Two [2] copies)

Two (2) copies of creative work samples developed by the California-based office, which will be servicing the DHS account, will be mailed to DHS for further review and retention. The creative work samples are due to DHS no later than **Thursday, April 7, 2005, at 5 p.m.** For each advertising sample, list the marketing objective, the target market, the creative strategy, outcome achieved, means of measurement, and the creative team; indicating the persons currently based in the California office who would service the DHS account. Samples shall be work that was completed after January 1, 2000. Include the following:

- a. Five (5) TV ads on a single half-inch VHS reel. For each ad, the production budget including first 13-week talent cycle and post-production work should be provided. It is preferred that ads submitted have production budgets of \$300,000 or less per spot.
- b. Five (5) radio ads on the same VHS reel.
- c. Five (5) print ads (newspaper and/or magazine).
- d. Five (5) outdoor ads (presented in a format that fits on an 8½ x 11 page).
- e. Three (3) additional items that the agency chooses to illustrate the proposer's unique creative strengths.

3. Case History Presentation

The agency is to select one (1) campaign that its California-based team designed and implemented, and present the details of that campaign from beginning to end. Two (2) copies of the presentation and any executions for television, radio, print and/or billboards for the presented campaign, as well as any collateral materials, will be mailed to DHS for further review and retention. The presentation package is due to DHS no later than **Thursday, April 7, 2005, at 5 p.m.** The presentation should include:

- a. Key facts from background market research and analysis.
- b. Identification of target markets, including approximate audience size, age range, language, and culture/ethnicity.
- c. Media objectives.
- d. Creative strategy/positioning.
- e. How the campaign was evaluated and the results obtained.
- f. Other considerations (e.g., budget, competition, organizational, and environmental constraints).
- g. Proposed DHS account personnel who worked on this project.

D. Stage 4: Assignments and Financial Package (Scoring: 150 points possible)

Each agency that advances beyond Stage 3 will be contacted and invited to submit the following materials. The agency shall submit one (1) original and eight (8) copies of a written response to the requests stated below no later than **Monday, May 9, 2005, at 5 p.m.** Two (2) copies of the Financial Statements should be submitted separately, in a sealed envelope (see Item 4. Financial Records below). More detailed instructions regarding the Assignments and Financial Package Review will be mailed out to the participating agencies.

1. The Assignments

Using a narrative format, the agency will be asked to:

- a. Develop a written plan for an advertising campaign based upon a current challenge in California's tobacco education effort (mailed separately by DHS).
- b. Based on the plan, gather information and formulate a powerful strategy that demonstrates the agency's understanding of California's tobacco control challenge.

Request for Proposal 05-45204
California Tobacco Control Advertising Campaign
Stage 4

Instructions for Completing Budget Summary and Cost Proposal

Please use the following instructions for completing the attached forms. The Budget Summary and the Cost Proposal will be evaluated based on cost-effectiveness, cost competitiveness, and the degree to which budget allocations demonstrate an understanding of the Department of Health Services' (DHS) California Tobacco Control Advertising Campaign (CTCAC) goals and priorities and the Scope of Work. The response to this Cost Proposal may be incorporated verbatim into the contract with the agency selected. Therefore, it is in the interests of both DHS and your agency to be as clear and specific as possible. However, DHS reserves the right to negotiate costs and seek additional information.

Budget Summary Instructions (Attachment 11.A)

Based on five (5) annual budgets of \$15 million, provide an annual budget summary, including proposed budgets for specific target audiences and subcontractors' budgets. Note for each service whether it will be provided in-house or you anticipate using a subcontractor to provide the service. You must use the Budget Summary format provided in Attachment 11.A, completing all blanks that apply to your proposal.

Cost Proposal Instructions (Attachment 11.B)

It is DHS' intent to have the bulk of advertising agency compensation calculated on the basis of the net cost plus mark-up percentage rather than gross commission or other fees. Therefore, you must complete Attachment 11.B indicating a mark-up rate for both media production and placement, which we anticipate will represent most of DHS' expenditure. You must quote this rate (or these rates) as a mark-up percentage that will be applied directly to net cost, rather than a commission. For example, 17.65% is the mark-up rate equivalent of a 15% commission and 11.11% is the mark-up rate equivalent of a 10% commission.

The following represents DHS' best effort to anticipate specific services that are likely to be required for the CTCAC. All mark-up rates identified in this proposal must account for items listed below in Section A not being charged. During the contract term, items listed below in Section B will be considered net costs with no mark-up allowed.

A. Items Included in Mark-up (Not Separately Billed)

- creative development of concepts including scripts and storyboards used for presenting to DHS
- ad substantiation
- bid procurement and bid evaluation
- project stewardship
- media placement planning, analysis, and negotiation
- media traffic management
- strategy, marketing, and advertising plan development
- market research, analysis, recommendations, and media evaluation including annual competitive analysis
- account servicing including billing
- administrative overhead
- subcontractor coordination
- other items required by Scope of Work not specifically mentioned in these cost proposal instructions

B. Items Reimbursed at Net Cost (No Mark-Up or Commission)

- authorized travel at state rates (see attached Travel Reimbursement Information)
- shipping, messenger, postage, phone, and other communication costs
- sales taxes and other applicable taxes
- duplicating, masters storage, other library costs
- focus group testing of approved ads, including necessary animatics and storyboards
- legal costs directly related to advertising review and clearance
- talent payments, including payroll tax, pension and insurance, handling, renewals, holding and use fees, and other fees required by union commercials contracts, excluding penalties that were not incurred due to the action or inaction of DHS
- in-house production services provided directly to DHS by the contractor (DHS will periodically request triple bids to verify market rate of services provided in-house)

The anticipated annual budgets for this contract will be approximately \$15 million per fiscal year. However, the actual amount of services required under the Scope of Work may vary significantly during the contract term, depending on a variety of factors affecting funding of the California Tobacco Control Advertising Campaign.

Please provide two Mark-up Options for the Cost Proposal. Option 1 assumes the CTCAC is funded at approximately \$15 million per fiscal year (\$75 million total for five years), as currently anticipated. Option 1 will be more heavily weighted than Option 2 by the review panel that scores the cost proposals. Option 2 allows proposers to designate alternate mark-up rates in a scenario where \$20 million or more is available for years 3,4, and 5 (\$90 million total for five years).

Both options include all television, radio, print, outdoor, and alternative media. DHS expects the Contractor to put forth its best efforts to obtain the best possible price for all media.

The total mark-up for media shall not exceed the Contractor's mark-up provided in the contract. For example, if a media buying service is used by the Contractor, the media buying service should present net costs without any built-in commission before applying the contracted mark-up rate. DHS will not pay commission on commission.

Mark-up will be applied to the Contractor's net cost. The following formula demonstrates how this is calculated using a sample mark-up of 11.11%:

Media Gross Cost (includes standard industry commission of 15%)	\$10,000
Minus standard industry commission of 15%	<u>(1,500)</u>
Adjusted DHS Net Cost	8,500
Plus Contractor's Mark-Up at 11.11%	<u>944</u>
DHS's Gross Cost (at equivalent of 10% commission)	<u><u>\$9,444</u></u>

SERVICE	AGENCY NAME	BUDGET 1 07/01/05 through 06/30/06	BUDGET 2 07/01/06 through 06/30/07	BUDGET 3 07/01/07 through 06/30/08	BUDGET 4 07/01/08 through 06/30/09	BUDGET 5 07/01/09 through 06/30/10
I. Advertising Prime Contractor						
General Market Advertising						
A. Production						
B. Placement						
II. Advertising Subcontractors						
List known Subcontractors by name and their target audience or specialization. If you plan to subcontract any portion of the Scope of Work but have not identified an agency, indicate TBD (to be determined) in place of name. Ethnic advertising budgets should be listed separately even if provided in-house.						
African-American Advertising						
A. Production						
B. Placement						
Asian/Pacific Islander Advertising						
A. Production						
B. Placement						
Hispanic/Latino Advertising						
A. Production						
B. Placement						
III. Development Research						
IV. Evaluation						
V. Subcontractors and Consultants Not Elsewhere Classified (exceeding \$5,000)						
Continue on a separate page if necessary						
TOTALS		\$ -	\$ -	\$ -	\$ -	\$ -

**Attachment 11.B
Cost Proposal**

MARK-UP RATES—The mark-up rates identified below will be paid for the entire term of the contract:

Option 1

Mark-up rates based on estimated \$15 million per fiscal year.

General Market Advertising Production _____% mark-up (net)

Ethnic Market Advertising Production _____% mark-up (net)*

General Market Media Placement _____% mark-up (net)

Ethnic Market Media Placement _____% mark-up (net)*

Option 2

Mark-up rates to be applied to total contract billings exceeding \$20 million in years 3,4, and 5 of contract. The mark-up rate in Option 1 will apply to billings up to \$20 million in each year.

General Market Advertising Production _____% mark-up (net)

Ethnic Market Advertising Production _____% mark-up (net)*

General Market Media Placement _____% mark-up (net)

Ethnic Market Media Placement _____% mark-up (net)*

* Provide additional detail on separate page if there will be different mark-up rates for each ethnic market.

Name of Bidding Firm (Printed) _____

By (Authorized Signature) _____

Printed Name and Title of Signer _____

Travel Reimbursement Information

1. The following rate policy is to be applied for reimbursing the travel expenses of persons under contract. *The terms "contract" and/or "subcontract" have the same meaning as "grantee" and/or "subgrantee" where applicable.*
 - a. Reimbursement for travel and/or per diem shall be at the rates established for nonrepresented/excluded state employees. *Exceptions to DPA lodging rates may be approved by DHS upon the receipt of a statement on/with an invoice indicating that such rates are not available.*
 - b. Short Term Travel is defined as a 24-hour period, and less than 31 consecutive days, and is at least 50 miles from the main office, headquarters or primary residence. Starting time is whenever a contract or subcontract employee leaves his or her home or headquarters. "Headquarters" is defined as the place where the contracted personnel spends the largest portion of their working time and returns to upon the completion of assignments. *Headquarters may be individually established for each traveler and approved verbally by the program funding the agreement. Verbal approval shall be followed up in writing or email.*
 - c. Contractors on travel status for more than one 24-hour period and less than 31 consecutive days may claim a fractional part of a period of more than 24 hours. Consult the chart appearing on page 2 of this exhibit to determine the reimbursement allowance. All lodging must be receipted. If contractor does not present receipts, lodging will not be reimbursed.

(1) Lodging (with receipts):

Travel Location / Area	Reimbursement Rate
Statewide (excluding the counties identified below)	\$ 84.00 plus tax
Counties of Los Angeles and San Diego	\$110.00 plus tax
Counties of Alameda, San Francisco, San Mateo, and Santa Clara	\$140.00 plus tax

Reimbursement for actual lodging expenses exceeding the above amounts may be allowed with the advance approval of the Deputy Director of the Department of Health Service or his or her designee. Receipts are required. *Receipts from Internet lodging reservation services such as Priceline.com, which require prepayment to that service, ARE NOT ACCEPTABLE LODGING RECEIPTS and are not reimbursable without a valid lodging receipt from a lodging establishment.*

- (2) Meal/Supplemental Expenses (with or without receipts): With receipts, the contractor will be reimbursed actual amounts spent up to the maximum for each full 24-hour period of travel.

Meal / Expense	Reimbursement Rate
Breakfast	\$ 6.00
Lunch	\$ 10.00
Dinner	\$ 18.00
Incidental expenses	\$ 6.00

- d. Out-of-state travel may only be reimbursed if such travel *is necessitated by the scope or statement of work* and has been approved in advance by the program with which the contract is held. For out-of-state travel, contractors may be reimbursed actual lodging expenses, supported by a receipt, and may be reimbursed for meals and supplemental expenses for each 24-hour period computed at the rates listed in c. (2) above. For all out-of-state travel, contractors/subcontractors must have prior *DHS written or verbal approval. Verbal approval shall be confirmed in writing (email or memo).*
- e. In computing allowances for continuous periods of travel of less than 24 hours, consult the chart appearing on page 2 of this *exhibit*.
- f. No meal or lodging expenses will be reimbursed for any period of travel that occurs within normal working hours, unless expenses are incurred at least 50 miles from headquarters.

2. If any of the reimbursement rates stated herein are changed by the Department of Personnel Administration, no formal contract amendment will be required to incorporate the new rates. However, DHS shall inform the contractor, in writing, of the revised travel reimbursement rates.
3. For transportation expenses, the contractor must retain receipts for parking; taxi, airline, bus, or rail tickets; car rental; or any other travel receipts pertaining to each trip for attachment to an invoice as substantiation for reimbursement. Reimbursement may be requested for commercial carrier fares; private car mileage; parking fees; bridge tolls; taxi, bus, or streetcar fares; and auto rental fees when substantiated by a receipt.
4. **Note on use of autos:** If a contractor uses his or her car for transportation, the rate of pay will be **34 cents** maximum per mile. If the contractor is a person with a disability who must operate a motor vehicle on official state business and who can operate only specially equipped or modified vehicles they may claim a rate of **37 cents** per mile. If a contractor uses his or her car "in lieu of" airfare, the air coach fare will be the maximum paid by the State. The contractor must provide a cost comparison upon request by the state. Gasoline and routine automobile repair expenses are not reimbursable.
5. The contractor is required to furnish details surrounding each period of travel. *Travel expense reimbursement* detail may include, but not be limited to: purpose of travel, departure and return times, destination points, miles driven, mode of transportation, etc. *Reimbursement for travel expenses may be withheld pending receipt of adequate travel documentation.*
6. Contractors are to consult with the program with which the contract is held to obtain specific invoicing procedures.

Travel Reimbursement Guide

Length of travel period	This condition exists...	Allowable Meal(s)
Less than 24 hours	Travel begins at 6:00 a.m. or earlier and continues until 9:00 a.m. or later.	Breakfast
Less than 24 hours	<ul style="list-style-type: none"> Travel period ends at least one hour after the regularly scheduled workday ends, or Travel period begins prior to or at 4:00 p.m. and continues beyond 7:00 p.m. 	Dinner
24 hours	Travel period is a full 24-hour period determined by the time that the travel period begins and ends.	Breakfast, lunch, and dinner
Last fractional part of more than 24 hours	Travel period is more than 24 hours and traveler returns at or after 8:00 a.m.	Breakfast
	Travel period is more than 24 hours and traveler returns at or after 2:00 p.m.	Lunch
	Travel period is more than 24 hours and traveler returns at or after 7:00 p.m.	Dinner

7. *At DHS' discretion, changes or revisions made by DHS to this exhibit, excluding travel policy established by DPA may be applied retroactively to any agreement to which a Travel Reimbursement Information exhibit is attached, incorporated by reference, or applied by DHS program policy.*